



General Assembly

February Session, 2006

Raised Bill No. 301

LCO No. 1716

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Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT REDUCING THE INSURANCE PREMIUM TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-202 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2006, and*
3 *applicable to income years commencing on or after January 1, 2006*):

4 Each domestic insurance company shall, annually, pay a tax on the
5 total net direct premiums received by such company during the
6 calendar year next preceding from policies written on property or risks
7 located or resident in this state. The rate of tax on all net direct
8 insurance premiums received on and after January 1, 1995, shall be one
9 and three-quarters per cent, except that for income years commencing
10 on or after January 1, 2006, but prior to January 1, 2007, such rate shall
11 be one and one-quarter per cent, for income years commencing on or
12 after January 1, 2007, but prior to January 1, 2008, such rate shall be
13 one per cent, and for income years commencing on or after January 1,
14 2008, such rate shall be one-half of one per cent. The franchise tax
15 imposed under this section on premium income for the privilege of
16 doing business in the state is in addition to the tax imposed under
17 chapter 208. In the case of any local domestic insurance company the

18 admitted assets of which as of the end of an income year do not exceed
 19 ninety-five million dollars, eighty per cent of the tax paid by such
 20 company under chapter 208 during such income year reduced by any
 21 refunds of taxes paid by such company and granted under said
 22 chapter within such income year and eighty per cent of the assessment
 23 paid by such company under section 38a-48, as amended, during such
 24 income year shall be allowed as a credit in the determination of the tax
 25 under this chapter payable with respect to total net direct premiums
 26 received during such income year, provided that these two credits
 27 shall not reduce the tax under this chapter to less than zero, and
 28 provided further in the case of a local domestic insurance company
 29 which is a member of an insurance holding company system, as
 30 defined in section 38a-129, these credits shall apply if the total
 31 admitted assets of the local domestic insurance company and its
 32 affiliates, as defined in said section, do not exceed two hundred fifty
 33 million dollars or, in the alternative, in the case of a local domestic
 34 insurance company which is a member of an insurance holding
 35 company system, as defined in section 38a-129, these credits shall
 36 apply only if total direct written premiums are derived from policies
 37 issued or delivered in Connecticut, on risk located in Connecticut and,
 38 as of the end of the income year the company and its affiliates have
 39 admitted assets minus unpaid losses and loss adjustment expenses that
 40 are also discounted for federal and state tax purposes and which for
 41 said local domestic insurance company and its affiliates, as defined in
 42 said section do not exceed two hundred fifty million dollars.

43 Sec. 2. Subsection (a) of section 12-202a of the 2006 supplement to
 44 the general statutes is repealed and the following is substituted in lieu
 45 thereof (*Effective July 1, 2006, and applicable to income years commencing*
 46 *on or after January 1, 2006*):

47 (a) Each health care center, as defined in section 38a-175, that is
 48 governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to
 49 the Commissioner of Revenue Services for the calendar year
 50 commencing on January 1, 1995, and annually thereafter, at the rate of

51 one and three-quarters per cent of the total net direct subscriber
 52 charges received by such health care center during each such calendar
 53 year on any new or renewal contract or policy approved by the
 54 Insurance Commissioner under section 38a-183, except that for income
 55 years commencing on or after January 1, 2006, but prior to January 1,
 56 2007, such rate shall be one and one-quarter per cent, for income years
 57 commencing on or after January 1, 2007, but prior to January 1, 2008,
 58 such rate shall be one per cent, and for income years commencing on
 59 or after January 1, 2008, such rate shall be one-half of one per cent.
 60 Such payment shall be in addition to any other payment required
 61 under section 38a-48, as amended.

62 Sec. 3. Subsection (b) of section 12-210 of the general statutes is
 63 repealed and the following is substituted in lieu thereof (*Effective July*
 64 *1, 2006, and applicable to income years commencing on or after January 1,*
 65 *2006*):

66 (b) Each insurance company incorporated by or organized under
 67 the laws of any other state or foreign government and doing business
 68 in this state shall, annually, on and after January 1, 1995, pay to said
 69 Commissioner of Revenue Services, in addition to any other taxes
 70 imposed on such company or its agents, a tax of one and three-
 71 quarters per cent of all net direct premiums received by such company
 72 in the calendar year next preceding from policies written on property
 73 or risks located or resident in this state, excluding premiums for ocean
 74 marine insurance, and, upon ceasing to transact new business in this
 75 state, shall continue to pay a tax upon the renewal premiums derived
 76 from its business remaining in force in this state at the rate which was
 77 applicable when such company ceased to transact new business in this
 78 state, except that for income years commencing on or after January 1,
 79 2006, but prior to January 1, 2007, such rate shall be one and one-
 80 quarter per cent, for income years commencing on or after January 1,
 81 2007, but prior to January 1, 2008, such rate shall be one per cent, and
 82 for income years commencing on or after January 1, 2008, such rate
 83 shall be one-half of one per cent.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006, and applicable to income years commencing on or after January 1, 2006</i>	12-202
Sec. 2	<i>July 1, 2006, and applicable to income years commencing on or after January 1, 2006</i>	12-202a(a)
Sec. 3	<i>July 1, 2006, and applicable to income years commencing on or after January 1, 2006</i>	12-210(b)

Statement of Purpose:

To reduce the insurance premium tax over a period of three income years from the current rate of one and three-quarters per cent.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]